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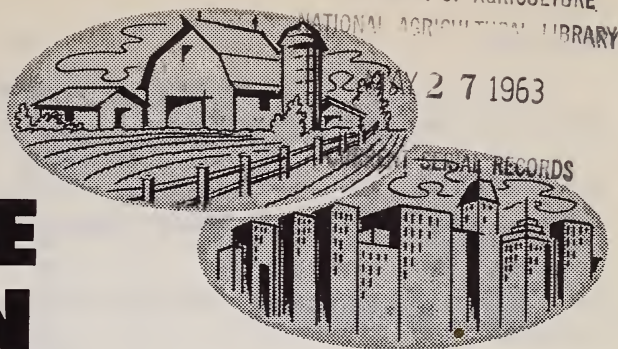
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DEMAND AND PRICE SITUATION



DPS-96

For Release May 2, A. M.

APRIL 1963

SUMMARY

Economic activity continued to strengthen during the winter and early spring of 1963. Activity was sparked by record auto sales, a sharp rise in steel mill output, and a continued increase in Government demand for goods and services. During the remainder of 1963, the Gross National Product likely will continue to advance, though at a slower pace than during the past 6 months. Prospective increases in business investment outlays, consumer buying, and Government expenditures suggest a moderate rise in output and employment in 1963.

Despite some strengthening in domestic demand, increased supplies of farm products in 1963 are expected to result in moderately lower average prices received by farmers than in 1962. With a higher level of prices paid by farmers, the price-cost squeeze may tighten some in 1963 from the average of recent years. However, gross farm income is expected to increase a little, and realized net income of farm operators may total nearly as high as the \$12.9 billion estimated for 1962. With a continuation of the decline in numbers of farms, realized net income per farm may continue around the record high of \$3,500 in 1962.

Continued on page 3

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**ECONOMIC RESEARCH
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**U. S. DEPARTMENT OF
AGRICULTURE**

IN THIS ISSUE

Repappraisal of Outlook for 1963

ECONOMIC FACTORS AFFECTING AGRICULTURE

Item	Unit or base period	1962			1963		
		Year	Mar.	Dec.	Jan.	Feb.	Mar.
Industrial production, seasonally adj. <u>1/</u>	: 1957-59=100	: 118	117	119	119	119	120
Final products	: do.	: 120	118	121	122	122	123
Consumer goods	: do.	: 120	119	120	122	123	123
Autos	: do.	: 136	124	142	141	140	139
Equipment, including defense	: do.	: 120	116	123	121	122	121
Materials	: do.	: 117	117	117	117	117	119
Construction: <u>2/ 3/</u>	:	:	:	:	:	:	:
Total outlays	: Mil. dol.	: 61,084	57,748	61,823	62,917	60,396	60,661
Public construction	: Mil. dol.	: 17,706	17,195	17,689	19,483	18,026	18,164
Private residential	: Mil. dol.	: 24,833	22,507	25,654	24,830	23,866	23,969
Housing starts, private only	: Thousands	: 1,452	1,431	1,472	1,242	1,278	1,494
Manufacturers' sales and inventories: <u>2/</u>	:	:	:	:	:	:	:
Total sales, seasonally adjusted	: Mil. dol.	: 33,280	32,850	33,360	33,130	34,030	
Durable goods	: Mil. dol.	: 16,210	15,950	16,180	15,010	15,520	
Unfilled orders-sales ratio <u>4/</u>	:	: 2.62	2.82	2.65	2.72	2.69	
Inventory-sales ratio, total <u>5/</u>	:	: 1.72	1.70	1.72	1.73	1.70	
Durable goods	:	: 2.02	1.98	2.02	2.04	1.99	
Employment and wages: <u>6/</u>	:	:	:	:	:	:	:
Total civilian employment	: Millions	: 67.8	66.3	67.6	65.9	66.4	67.1
Nonagricultural	: do.	: 62.7	61.5	63.5	61.7	62.3	62.8
Unemployment	: do.	: 4.0	4.4	3.8	4.7	4.9	4.5
Workweek in manufacturing	: Hours	: 40.4	40.5	40.3	40.2	40.3	40.3
Hourly earnings in manufacturing	: Dollars	: 2.39	2.38	2.43	2.43	2.43	2.39
Income and spending:	:	:	:	:	:	:	:
Personal income <u>2/ 3/</u>	: Bil. dol.	: 440.5	435.2	450.4	452.4	451.1	452.7
Consumer credit outstanding <u>1/</u>	: Mil. dol.	: 63,458	56,275	63,458	62,740	62,219	
Automobile	: Mil. dol.	: 19,384	17,348	19,384	19,426	19,503	
Total retail sales, seasonally adj. <u>2/</u>	: Mil. dol.	: 19,613	19,328	20,203	20,247	20,452	20,695
Durable goods	: Mil. dol.	: 6,245	6,180	6,453	6,477	6,602	6,663
Inventory-sales ratio <u>5/</u>	:	: 1.40	1.39	1.36	1.36	1.35	
Prices: <u>6/</u>	:	:	:	:	:	:	:
Wholesale prices, all commodities	: 1957-59=100	: 100.6	100.7	100.4	100.5	100.2	99.9
Commodities other than farm and food	: do.	: 100.8	100.8	100.7	100.7	100.6	100.6
Farm products	: do.	: 97.7	98.4	97.3	98.5	96.5	95.4
Foods processed	: do.	: 101.2	101.6	100.9	100.8	100.5	99.1
Consumer price index, all items	: do.	: 105.4	105.0	105.8	106.0	106.1	106.2
Food	: do.	: 103.6	103.2	103.5	104.7	105.0	104.6
Prices received by farmers <u>7/</u>	: 1910-14=100	: 243	244	242	244	242	240
Crops	: do.	: 231	233	224	228	232	238
Livestock and products	: do.	: 254	254	258	257	251	242
Prices paid, interest, taxes and wage rates <u>7/</u>	: 1910-14=100	: 306	305	309	311	311	310
Family living items	: do.	: 294	294	296	297	298	297
Production items	: do.	: 269	269	273	274	274	274
Parity ratio <u>7/</u>	:	: 80	80	78	78	78	77
Farm income and marketings: <u>7/</u>	:	:	:	:	:	:	:
Volume of farm marketings	: 1947-49=100	: 137	105	147	151	109	107
Cash receipts from farm marketings	: Mil. dol.	: 35,749	2,310	3,141	3,289	2,331	2,300

Annual data for most of the items for years 1929, 1941 and 1947-62 appear on page 39 of the April 1963 issue of The Demand and Price Situation.

1/ Federal Reserve Board. 2/ U. S. Department of Commerce. 3/ Seasonally adjusted annual rates.
4/ Unfilled orders for durables divided by monthly deliveries. 5/ Inventories, book value, end of month, divided by sales. 6/ U. S. Department of Labor. 7/ U. S. Department of Agriculture.

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T H E D E M A N D A N D P R I C E S I T U A T I O N
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Approved by the Outlook and Situation Board, April 24, 1963

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The Gross National Product of the economy in the first quarter of this year totaled about 5 percent above a year earlier. With this expansion in total demand, total real output was up nearly $3\frac{1}{2}$ percent. Industrial production, though relatively steady since last June, was up 3 percent from the first quarter of 1962. Employment rose by 700,000 workers. Consumer income, after taxes, totaled about 5 percent above the quarter a year earlier. With a $1\frac{1}{2}$ percent population increase, consumer buying power per capita was up around 2 percent. Retail sales in the first quarter rose some 7 percent from the opening quarter of 1962. Part of the sharp rise in outlays for durable goods, particularly autos, was financed by increased consumer indebtedness. The saving rate declined from 6.8 percent of disposable income in the opening months of 1962 to 6 percent in the first quarter of this year.

Gross private domestic investment was at an annual rate of \$76 billion in the first quarter. This was about the same rate as in the first quarter of last year. Weakness in residential construction was about offset by increased inventory accumulation. The slow rise in capital outlays over the past year reflects a relatively easy general demand situation, with some major industries operating below capacity. However, prospects for business fixed investment outlays in 1963 point to increased expenditures of some 5 percent or more from 1962. In addition, expected gains in consumer buying point to some further buildup in business investment and inventories.

Prospective increases in business activity, and further gains in employment and consumer income, will lead to increased purchases of food and other farm products in 1963. Population is continuing to expand and, with rising incomes and larger supplies of food, per capita consumption of food, particularly meat, is expected to increase.

Exports of farm products in calendar 1963 likely will total about the same as the record shipments in 1961 and 1962, despite restrictions imposed by the Common Market on some commodities and the longshoremen's strike early this year. Exports of food fats and oils may attain a new high, and dairy exports will rise a little further. Wheat and cotton exports likely will continue near levels in calendar 1962. Exports of poultry and feed grains indicated for 1963 are less than in 1962.

A larger output of farm products than in 1962 is indicated for 1963. Farm output rose fractionally during the past 3 years. The slow rise in output was limited primarily by reduced plantings of grains under the Wheat and Feed Grain Programs. Farmers' planting intentions in March this year pointed to an increase of around 2 percent in acreage planted to major crops. Output of major livestock products in the first quarter, particularly of beef and pork, was up substantially from a year earlier and this year may total some 3 or 4 percent above 1962.

For 1963, prices received by farmers for all farm products are expected to average a little below 1962. Largely in response to increased supplies, prices of farm products so far this year are down around 1 percent from January-April 1962, with average prices for livestock products estimated down about 3 percent. Lower prices for beef and pork account for much of the decline. Prices of fed cattle fell sharply during the first quarter. Crop prices were generally stronger during the opening quarter of 1963 than a year earlier. Crop prices may average around 1962 levels, but a slightly larger volume of marketings is indicated. Price support levels for 1963 crops will average slightly higher than in 1962. Part of the higher support level is a payment-in-kind to the producer, which may permit somewhat lower market prices, particularly for wheat.

Cash receipts from crops are expected to be a shade larger than the \$15.9 billion received in 1962. Receipts from livestock products may total about as large as in 1962, reflecting a larger volume of marketings and lower average prices. Government payments to producers will increase, possibly by a tenth, and a small gain in gross farm income is indicated. Production expenses likely will run around a half billion dollars above 1962, reflecting increased purchases of some major production items as well as a generally higher level of prices paid by farmers for commodities, interest, taxes, and wage rates.

COMMODITY HIGHLIGHTS

The decline in cattle prices, which began in late November and extended into March, was primarily due to a drop in fed steer prices. There was a large increase in the volume of steer beef production from November to January, and prospects are for continued large slaughter through the second quarter of 1963. Fed cattle prices likely will improve during the last half of the year due to an expected seasonal decline in fed beef production.

Hog prices dropped sharply during the first quarter of 1963, due largely to expanding supplies. January-March hog slaughter was up considerably from a year earlier, but slaughter during the second quarter is exceeding that of a year earlier by a small margin. If growers increase March-May farrowings by 4 percent from a year earlier, as intended, slaughter in the fall and early winter would be up somewhat from the fall of 1962.

Milk production in the first quarter of 1963 was below year-earlier output, but farm marketings of milk in 1963 are expected to total about 1 percent above 1962. Prices received by farmers for all wholesale milk during the first quarter averaged 13 cents per hundredweight below year-earlier prices reflecting a decrease in the price support level effective in April 1962. The national average support price was again set at 75 percent of parity, effective April 1, 1963, \$3.14 per hundredweight for manufacturing grade milk. This is 3 cents above the level set a year earlier and 26 cents below that 2 years earlier.

Egg output this spring is running close to year-earlier output, but prices are a little lower. Broiler production was cut back in April below the 1962 level because feed and chick prices were higher in the first quarter than a year earlier and prices of broilers were lower. Since early April, broiler prices have been mostly higher than last year leading to an increase in the hatch of broiler type chicks.

World wool supplies are estimated about 50 million pounds less in the 1962-63 marketing year than a year earlier, due to lower world production and reduced carryover stocks. World demand for wool continues around recent levels.

The 1963 wheat crop is expected to be larger than the relatively small, 1,092 million bushels crop produced under the 1962 Wheat Program. Exports and domestic use are expected to continue high during the remainder of the year. Carryover on July 1 is expected to be less than a year earlier. Prospective supply and utilization of wheat in the 1963-64 marketing year point to a further decline in carryover on July 1, 1964.

Feed grains supplies in 1963-64, based on early spring prospects, will be slightly below supplies for the current marketing year and about 7 percent below the record in 1960-61. With higher feed grain prices and lower livestock prices than a year earlier, livestock-feed price ratios have become less favorable--especially for hog producers, cattle feeders, and dairymen--than in recent years.

Soybean prices have increased sharply since last October and are expected to continue strong through summer. Supplies are slightly less than a year earlier, but requirements are larger. Carryover stocks of old-crop beans next October 1 will be sharply below stocks a year earlier.

Prospects for peach production in the southern States are around average. Remaining supplies of fresh citrus fruit are much lighter than a year earlier because of winter freezes; prices are sharply higher. Stocks of apples and pears are heavier and prices generally lower.

Supplies of vegetables for fresh market sales this spring probably will be close to those last spring. Remaining supplies of canned vegetables appear to be somewhat larger than those a year earlier and frozen the same to slightly larger.

Supplies of potatoes in recent months, although large, have been moderately smaller than the heavy supplies in the like period a year ago and prices to growers have averaged substantially higher. With larger early spring production, and an indicated increase in late spring acreage, continued large supplies are in prospect throughout most of the spring season.

Domestic plus foreign utilization of U. S. cotton in the current marketing year is expected to be the smallest since the 1958-59 season. Also, since the 1962 cotton crop was relatively large, carryover next August 1 will be more than in the 5 prior years. Indicated planted acreage for the 1963 cotton crop is about 9 percent less than the 16.3 million acres planted in 1962.

Per capita cigarette consumption declined slightly in 1962 from 1961 although total consumption rose moderately. Output of flue-cured and burley tobacco in 1963 is expected to be below year-earlier output. However, with anticipated increases in carryover from the 1962 crop, total supplies of flue-cured and burley tobacco probably will be greater than in the current marketing year. Government price support levels for 1963 crops of eligible tobaccos are 1 percent higher than in 1962.

GENERAL AGRICULTURAL SITUATION

Domestic Demand Expanding
Further in 1963

A further increase in domestic demand for farm products is seen for 1963. Export shipments may be about the same as in 1961 and 1962. Disposable income per capita will total somewhat larger than the \$2,052 in 1962. The 1962 income was $3\frac{1}{2}$ percent above 1961. Population is expected to increase around $1\frac{1}{2}$ percent in 1963. Given larger supplies of farm products in 1963, total domestic utilization will increase from 1962. Even so, prospective increases in live-stock and crop production indicate small additions to carryover stocks of farm products on January 1, 1964.

Table 1.-- Agricultural prices, marketings and income, 1961 to date

Item	Unit	1961				1962				1963			
		Year	:	Year	:	Year	:	Year	:	Year	:	Year	:
Prices received by farmers													
Crops	1910-14=100	240	:	243	:	243	:	241	:	245	:	244	:
Livestock	1910-14=100	226	:	231	:	228	:	238	:	231	:	226	:
	1910-14=100	251	:	254	:	256	:	243	:	257	:	260	:
Prices paid, interest, taxes and wage rates													
Family living items	1910-14=100	302	:	306	:	305	:	306	:	306	:	308	:
Production items	1910-14=100	291	:	294	:	294	:	295	:	294	:	295	:
	1910-14=100	266	:	269	:	268	:	269	:	269	:	272	:
Parity ratio		79	:	80	:	80	:	79	:	80	:	79	:
Volume of farm marketings													
Crops	1947-49=100	136	:	137	:	119	:	107	:	142	:	178	:
Livestock	1947-49=100	131	:	130	:	106	:	63	:	145	:	207	:
	1947-49=100	140	:	141	:	129	:	141	:	140	:	156	:
Cash receipts from farm marketings ^{1/}													
Crops	Bil. dol.	35.2	:	35.7	:	7.8	:	6.9	:	9.4	:	11.6	:
Livestock	Bil. dol.	15.8	:	15.9	:	3.1	:	2.2	:	4.5	:	6.1	:
	Bil. dol.	19.4	:	19.8	:	4.7	:	4.7	:	4.9	:	5.5	:
Farmers' realized net income ^{2/}	Bil. dol.	12.8	:	12.9	:	12.8	:	12.7	:	12.8	:	13.5	:

^{1/} Seasonally adjusted annual rates are: 1962-I, \$35.4 billion; II, \$35.3 billion; III, \$35.5 billion; and IV, \$36.5 billion. 1963-I, \$35.7 billion.

^{2/} Seasonally adjusted annual rates.

Personal expenditures for food and beverages will total above the \$84.7 billion in 1962. The 1962 expenditure was 4.4 percent above 1961. Increases indicated in per capita consumption of beef, pork, and chicken may largely be offset by decreases in per capita consumption of milk, eggs, wheat, fruits, and vegetables.

Crop Prices and Marketings Steady

Cash receipts from crop sales in 1963 may total a shade above the \$15.9 billion received in 1962. A small rise in the volume of marketings and little change in the general level of crop prices is indicated for the calendar year.

Crop prices were strong in the first quarter of 1963, averaging 3 percent above the previous quarter and 2 percent above a year earlier. Crop prices are expected to continue strong during the first half of 1963, with lower prices than a year earlier for commercial vegetables and food grains offset by price increases for fruit, potatoes, sweetpotatoes, and dry edible beans. Crop prices may average slightly lower when the new crop becomes available in the latter part of 1963, reflecting prospects for increased production as well as program changes for some major crops. The program changes involve extension of price supports in part through payments-in-kind. These changes will permit lower market prices, especially for wheat, while maintaining income to farmers. Even so, crop prices for calendar 1963 are expected to average around the 1962 price level.

Spring plantings of major crops could increase around 2 percent in 1963 from 1962, according to a March report of farmers' planting intentions. This would be only 1 percent more than the acreage planted to 17 major crops in 1961. Record yields in 1962 were around 2 percent greater than in 1961 and 6 percent above 1960 yields. The 1962 crop was 1 percent above 1961 and about equal to 1960. For 1963, feed grain planting intentions are for 2.6 million more acres than in 1962 reflecting more corn and sorghum but less oats and barley. Increased plantings are indicated for soybeans and spring wheat. Cotton, tobacco, durum wheat, and hay are among the crops planned for smaller acreages than last year.

Livestock Prices Decline; Marketings Increase

The volume of livestock marketings will be larger in 1963 than in 1962 and the average level of prices received for livestock and products will be lower. However, cash receipts from livestock marketings likely will change little from the \$19.8 billion received in 1962. Steer beef production under Federal inspection in the first quarter of 1963 totaled about 12 percent above output in the previous quarter and 3 percent above a year earlier. Hog slaughter under Federal inspection in the first quarter of 1963 was down about

2 percent from the previous quarter but was 7 percent above the first quarter of 1962. Hog slaughter during the second quarter is expected to exceed year-earlier slaughter by a small margin.

A moderate increase in production of chicken and a small increase in production of turkey are expected this year; egg production may be down slightly. Milk production during the first quarter was below output a year earlier, but farm marketings for the year are expected to increase about 1 percent from the 117 billion pounds of milk marketed in 1962.

Reflecting larger supplies in 1963, average prices received by farmers for livestock and products will continue somewhat below a year earlier. Live-stock and product prices during the first quarter of 1963 average 4 percent below the previous quarter and about $2\frac{1}{2}$ percent below year-earlier prices. Cattle and hog prices led the decline. Prices of fed cattle declined sharply during the first quarter, but prices of slaughter cows increased somewhat. Prices for livestock and products are expected to increase later in the year from present lows.

Commodity Credit Corporation
Investment Up Somewhat

Probable CCC activities during the remainder of the fiscal year point to a total investment in commodity loans and inventories on June 30 somewhat above the \$6,658 million of a year earlier. In fiscal 1961-62, CCC investment was reduced by \$380 million. As of February 28, 1963, CCC investment was \$8,446 million compared with \$7,718 million a year earlier.

Cotton held by CCC both in inventory and as collateral against loans, is expected to be nearly double year-earlier holdings at the end of fiscal 1962-63. This increase is the major factor in the change in total CCC investment. June 30 investment in most grains is estimated to run about the same as last year, but corn inventories will be reduced considerably. A substantial reduction in soybean holdings has occurred; flaxseed will be added to inventories. Stocks of tobacco under Government loan and dairy inventories likely will be at higher levels than a year earlier.

Carryover of Grains and Soybeans
Declining; Other Commodities Up

Grain stocks in all positions on April 1, 1963, were smaller than a year earlier. Stocks of feed grains and wheat were each 8 percent less than last April 1. Wheat stocks were the smallest for the date since 1958. Soybean holdings were 3 percent less than the record quantity on hand a year earlier. Flaxseed stocks in all storage positions on April 1, 1963, were more than double those of a year earlier.

Prospective decreases in carryovers of grains and soybeans are likely to be offset by increases in stocks of cotton, hay, rice, and tobacco at the close of the current crop year. Total crop carryovers into the 1963-64 crop year

likely will about equal stocks carried into the 1962-63 year. With prospects for supplies increasing faster than demand during the 1963-64 crop year, a buildup in total crop stocks by mid-1964 appears likely. Soybeans are important among the exceptions.

Carryover of wheat at the end of the current crop year is expected to decline for the second consecutive year. Stocks next July 1 likely will be down about 125 million bushels from the 1.3 billion bushel stocks a year earlier. Lower production under the 1962 Wheat Program and continued heavy exports made the decline possible.

Stocks of feed grains are expected to be reduced to 61 million tons by the end of the current crop year from 72 million last year. While the 1963 production of feed grains may be larger than the 1962 output, it probably will be smaller than anticipated disappearance in 1963-64, resulting in a further reduction of stocks by mid-1964.

Supplies of soybeans available for the remainder of the current marketing year are slightly less than in the same period last year. With greater domestic and export requirements this year, expected carryover stocks of 35 million bushels next October 1 will be below last year's carryover of 58 million.

The carryover of all kinds of cotton next August 1 is expected to be at least 10.6 million bales. This would be the largest carryover since 1957 but smaller than the record-high 14.5 million bales on August 1, 1956. The expected increase in carryover reflects both a larger crop for 1962 than a year earlier and a decline in disappearance during the 1962-63 crop year.

Cold storage stocks of manufactured dairy products totaled 11.1 billion pounds of milk equivalent at the end of 1962, up from 9.8 billion pounds in 1961. Government-owned stocks increased to 6.8 billion pounds from 4.9 in 1961. Last year, the Government owned, in addition to the total milk equivalent, an estimated 69 million pounds of butter equivalent in the form of butter products. Stocks of dairy products likely will continue to increase somewhat in 1963.

Carryover of flue-cured tobacco next July 1 may total around 2,250 million pounds, the most since mid-1958. The expected increase in stocks is the result of anticipated relatively steady domestic use and reduced exports in the current marketing year and increased 1962 production. Carryover of burley tobacco on October 1, 1962, was 1,137 million pounds, up slightly from a year earlier. Domestic use and exports of burley in 1962-63 are each expected to exceed year-earlier levels, but increased production in 1962 indicates that carryover on October 1, 1963, likely will increase to around 8 percent from the 1,137 million pounds carryover in 1962.

Parity Index Continues to Rise

The index of prices paid by farmers during the first quarter of 1963 was 311 percent of its 1910-14 average, 2 percent above a year earlier. Prices paid by farmers are expected to continue higher this year than last. Interest

and taxes payable per acre are running 5 to 7 percent higher; wage rates and prices paid for production items are up about 2 percent. Wage rates on April 1 were 3 percent above year-earlier rates. The rise in the price level of production items was limited in the first quarter by a $3\frac{1}{2}$ percent decrease in prices for feeder livestock.

Prices paid by farmers for family living items continue to rise at a slower pace than prices for production items, taxes, interest, and wages. The family living index rose 1 percent in 1962 from 1961; a similar rise is anticipated for 1963.

Prospects for a further rise in the parity index and for some decline in the index of prices received by farmers point to a dip in the 1963 parity ratio--the ratio of prices received to prices paid by farmers. The parity ratio has been around 80 for the past 4 years. The ratio dropped to 77 last March, the lowest monthly ratio since December 1959.

Farmers continue to use more capital and less labor on the Nation's farmland. The number of farms in 1963 is expected to be 3 percent fewer than in 1962, but farms will be larger. Increased purchases of nonfarm resources at higher prices indicate a probable rise in farm production expenses of around one-half billion dollars from 1962.

Expenses Rise Faster Than Receipts

Little change in cash receipts from farm marketings in 1963 is foreseen. Crop prices and marketings probably will change little, and the increase in livestock marketings may nearly offset reduced prices. Increased receipts are anticipated for wheat, tobacco, soybeans, and fruit; smaller receipts for cotton and vegetables. Government payments to farmers in 1963 will increase, possibly as much as a tenth from 1962. Realized gross income of farmers likely will be just above the \$40.6 billion record in 1962. Despite an expected further increase in farm production expenses, realized net farm income in 1963 is expected to be almost as high as the \$12.9 billion in 1962. Realized net income per farm is expected to continue around the record high of \$3,500 in 1962.

FACTORS AFFECTING DEMAND FOR FARM PRODUCTS

Domestic Demand

Economic activity increased at a fast pace during the first quarter. According to preliminary estimates the total value of goods and services produced was at an annual rate of \$572 billion, \$8.5 billion above the fourth quarter and \$27 billion above the first period of 1962. Consumer spending in the first quarter was up 5 percent from the first quarter of 1962 with

Table --Economic factors affecting agriculture, quarterly 1962
and 1963 at seasonally adjusted annual rates

Item	Unit	Year	1962				1963
			I	II	III	IV	
Gross national product	Bil. dol.	553.9	545.0	552.0	555.3	563.5	572.0
Personal income	Bil. dol.	440.5	432.0	439.5	442.6	448.0	452.1
Disposable personal income	Bil. dol.	382.9	375.6	381.8	384.1	389.3	392.7
Personal consumption expenditures	Bil. dol.	356.7	350.2	354.9	358.2	363.5	369.0
Durable	Bil. dol.	47.5	46.3	47.2	47.1	49.6	50.2
Nondurable	Bil. dol.	162.0	159.9	161.3	163.0	163.9	166.7
Services	Bil. dol.	147.1	144.1	146.3	148.1	150.1	152.1
Personal saving	Bil. dol.	26.2	25.4	26.9	26.0	25.8	23.7
Net government receipts	Bil. dol.	114.9	111.9	114.9	115.9	117.3	-
Purchases of goods and services	Bil. dol.	117.3	115.2	116.0	118.2	120.7	123.8
Deficit or surplus (on income and product account)	Bil. dol.	-2.4	-3.3	-1.1	-2.4	-3.4	-
Gross private domestic investment	Bil. dol.	76.6	75.9	77.4	76.3	76.2	76.0
Fixed investment	Bil. dol.	73.4	69.2	73.4	75.3	74.9	73.5
Change in business inventories	Bil. dol.	3.2	6.7	4.0	1.0	1.2	2.5
Expenditures for plant and equipment	Bil. dol.	37.31	35.70	36.95	38.35	37.95	1/37.95
Corporate profits	Bil. dol.	51.5	50.4	50.7	51.0	54.0	-
Net exports of goods and services	Bil. dol.	3.3	3.7	3.7	2.5	3.2	3.2
Overall foreign trade balance	Mil. dol.	-2,181	-1,980	-856	-2,724	2/-3,164	-
Population	Millions	186.6	185.5	186.1	186.8	187.6	188.5
GNP deflator (1954)	1954=100	117.4	116.6	117.2	117.7	118.1	-
Per capita disposable personal income (1962 prices)	Dollars	2,052	2,034	2,053	2,052	2,064	2,066
Cash receipts from farm marketings, annual rate	Bil. dol.	35.7	35.4	35.3	35.5	36.5	35.7
Realized net farm income, annual rate	Bil. dol.	12.9	12.8	12.7	12.8	13.5	12.7

1/ Estimates based on anticipated capital expenditures as reported by business in late February 1963.

2/ Preliminary.

Department of Commerce, Agriculture and Securities and Exchange Commission.

increases for durables, nondurables, and services. Government purchases of goods and services totaled \$123.8 billion, \$3.1 billion above the level of the fourth quarter of 1962 and \$8.6 billion above a year earlier. Gross private domestic investment held steady despite a first quarter weakness in residential construction. Inventories were accumulated at a markedly higher rate than in the fourth quarter of 1962 due in part to accumulation of steel stocks.

Personal income moved upward through January-March, despite the January rise in Social Security taxes. Averaging \$452 billion in the first quarter, income was up \$4 billion from the fourth quarter and \$20 billion from a year earlier. Transfer payments increased sharply in the first quarter of 1963, mainly due to the early payment of dividends to holders of Government insurance policies. Concentrated in January, this income served as a temporary offset to the increase in Social Security taxes effective January 1. First quarter income, after taxes, was up from the fourth quarter rate and was 5 percent above a year earlier.

Industrial production in the first quarter averaged 120 percent of the 1957-59 average. This compared with 119 in the fourth quarter of last year; most of the improvement occurred in March. Employment rose slightly but so did the labor force, resulting in a seasonally adjusted unemployment rate of 5.8 percent during the first quarter, a little above a year earlier.

During the remainder of 1963, the Gross National Product likely will continue to advance, though at a slower pace than in the last six months. Consumer spending, business outlays for plant and equipment, and Government purchases of goods and services are all expected to increase. Outlays for residential construction may fall a little short of outlays in 1962. Prospective increases in demand for goods and services likely will be accompanied by increases in output, employment, and consumer incomes.

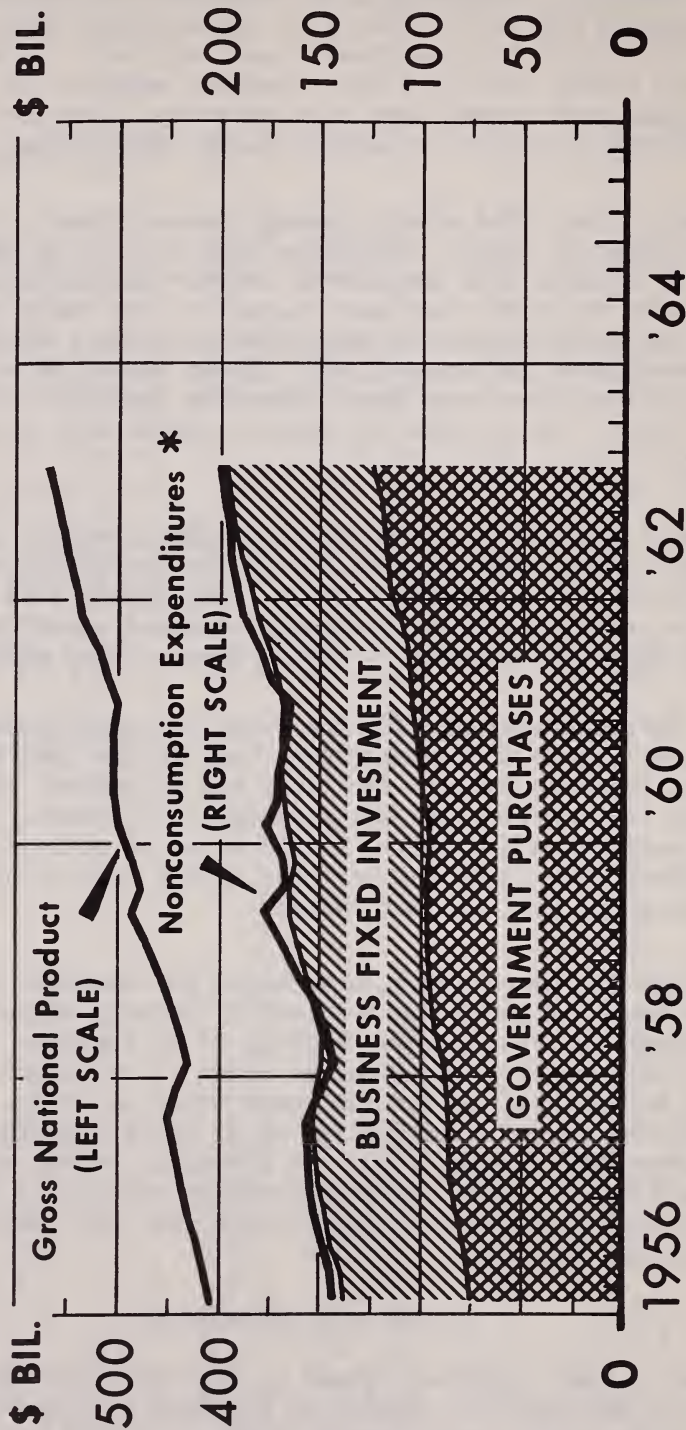
An increase in nonconsumption spending for business investment and Government purchases of goods and services is usually associated with a stepup in output, employment, and incomes--leading to an increase in consumer purchases. Increases in nonconsumption spending, as shown in the chart, usually have been accompanied by an increase in the GNP about twice as large. This is an oversimplified illustration of a multiplier of 2, which approximates changes from the third quarter 1961 through 1962. It should be noted, however, that in postwar economic cycles, when business activity stabilized or even declined moderately, consumer incomes and expenditures were well maintained and in some instances increased slightly.

Income and Expenditure

Personal income continued upward in the first 3 months of 1963, averaging \$452 billion for the quarter. Wages and salaries in commodity producing industries increased after being stable during the last half of 1962. Manufac-

Gross National Product Continues to Vary With Nonconsumption Expenditures

QUARTERLY, SEASONALLY ADJUSTED ANNUAL RATES



*ADJUSTED FOR INVENTORY CHANGE. WHERE NONCONSUMPTION EXPENDITURES EXCEED SUM OF BUSINESS FIXED INVESTMENT AND GOV'T PURCHASES, INVENTORY CHANGE IS POSITIVE; WHERE NONCONSUMPTION EXPENDITURES ARE LESS, THE INVENTORY CHANGE IS NEGATIVE. SOURCE: U. S. DEPT. OF COMMERCE. 1963 PARTLY ESTIMATED.

U. S. DEPARTMENT OF AGRICULTURE

NEG. ERS 1901-63 (4) ECONOMIC RESEARCH SERVICE

turing payrolls increased as employment and average hourly wages rose in the opening months of 1963. Hours worked per week remained stable. Payrolls in the distributive and service industries, and in Government continued upward.

Consumer Spending Rises

Consumer disposable income in the first quarter was at a rate of about \$392.7 billion, up 5 percent and \$17.1 billion from the opening quarter of 1962. In addition to the rise in consumer income, increased use of installment credit helped to finance expanding consumer purchases, particularly of durable goods. Most of the sharp increase in the past 5 months was for financing the high level of auto purchases. Repayment on installment loans now takes about $13\frac{1}{2}$ percent of disposable personal income compared with an average of about 13 percent in recent years. Although some consumers were making extensive use of credit to finance increased buying, financial savings of consumers have increased. Accordingly, saving by some consumers is partly offsetting dissaving by others.

Accompanying the rise in consumer income and increased use of credit, consumer spending in the first quarter was 5 percent above a year earlier. Consumer purchases of goods and services were at an annual rate of \$369 billion, up some $\$5\frac{1}{2}$ billion from the fourth quarter and up \$18.8 billion from a year earlier. Further increases in consumer income in prospect are expected to result in expanded consumer purchases of food and most other goods and services during 1963.

Supported by a record level of automobile sales, durable goods expenditures increased \$0.6 billion over the record fourth quarter level and totaled \$50.2 billion, 8 percent above a year earlier. Spending for automobiles and parts accounts for almost half of durable goods spending. Retail sales of furniture and household appliances increased from the fourth quarter but sales of lumber and building materials were unchanged.

The Bureau of the Census January survey of consumer buying intentions indicated continued strong demand for durables during the coming months. The percentage of families expecting to purchase a new car in 1963 was as high as in the January 1962 survey. A larger percentage of families stated that they intended to purchase refrigerators, television sets, and other household appliances in 1963 than at the same time last year.

Nondurable goods spending resumed its rise after hesitating in the fourth quarter of 1962. Totaling \$166.7 billion in the first quarter of 1963, expenditures for nondurables were \$6.8 billion above the first period last year. Spending was up in all major classes of nondurable goods with much of the rise for food at the retail level. In the first quarter, expenditures for food and beverages were almost 4 percent above a year earlier. During 1962, food and beverage purchases accounted for 52 percent of expenditures for nondurable

goods and almost 24 percent of all consumption expenditures. Rising incomes and a growing population will contribute to an expanded demand for nondurable goods in 1963.

Expenditures for services have risen, on the average, about \$2 billion per quarter during the past 3 years. During the January-March period consumer spending for services totaled \$152.1 billion, up \$8 billion from a year earlier. Almost half of this increase was due to rising prices. During the last half of 1962, the upward rise in prices of services appears to have moderated. The trend in demand for services is expected to continue, though increases in current dollars, may not match those of the past year.

Private Investment

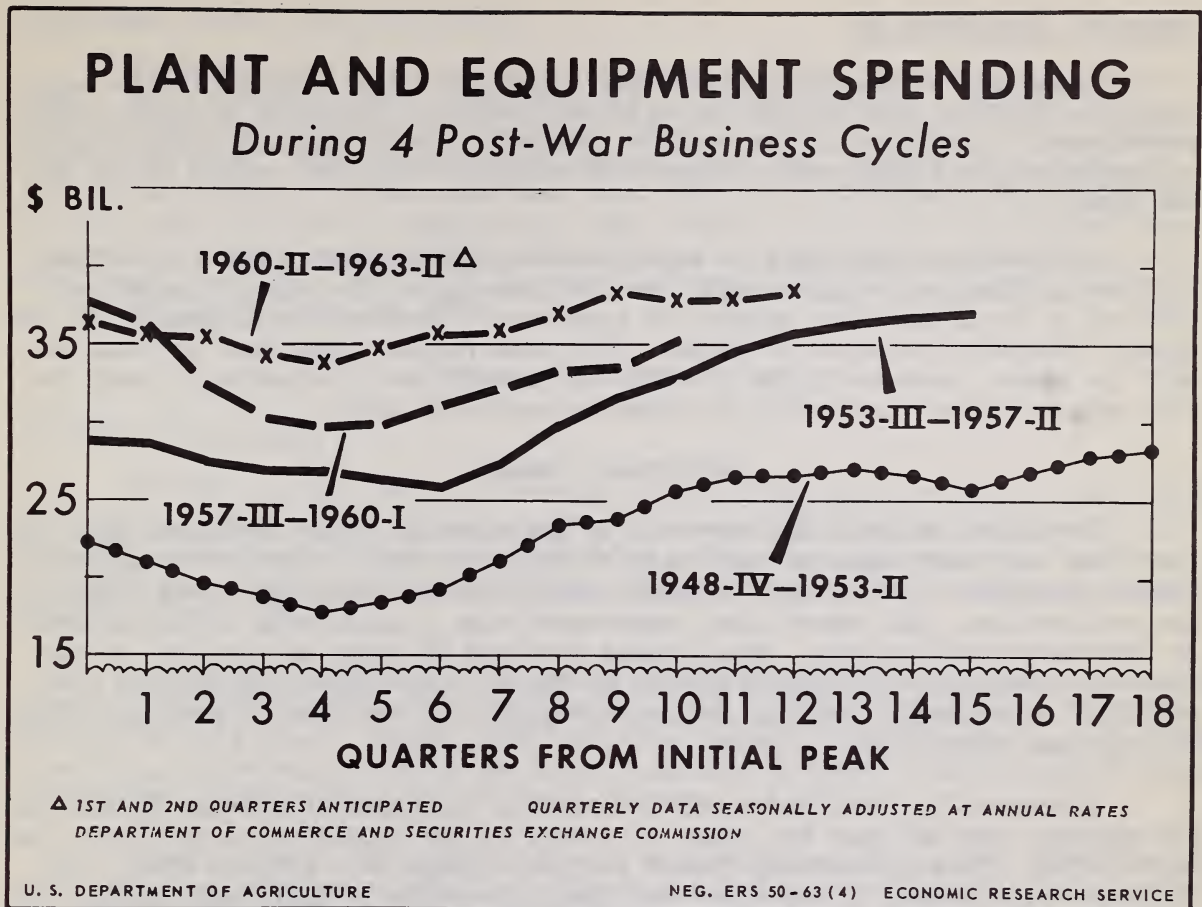
Gross private domestic investment, a strategic sector of total demand for goods and services, was at a rate of \$76 billion in the first quarter. This was about the same rate as the third and fourth quarter of 1962, and just slightly above the first quarter of last year. In recent months business capital outlays have held relatively stable. Weakness in residential construction was about offset by increased inventory accumulation. The slow rise in capital outlays over the past year reflects a relatively easy general demand situation with some major industries operating below capacity.

Business Equipment Outlays to Rise

Spending for producers' durable equipment in the first quarter totaled \$30 billion (annual rate) about the same as the fourth quarter, and 9 percent above a year earlier. Investment in industrial plant was up 11 percent. According to the SEC-Commerce survey of late January, businessmen plan to spend \$39.1 billion for plant and equipment during 1963, up from \$37.3 billion in 1962. Plant and equipment expenditures, at the fourth quarter rate of \$38 billion in the opening quarter, are expected to rise to a rate of \$38.7 billion in April-June 1963.

Manufacturers expect to increase plant and equipment outlays by 7 percent during 1963, with an 11 percent increase expected by durable goods firms and a 3 percent increase by manufacturers of nondurable goods. McGraw-Hill survey estimates, released in late April and covering the same industries, indicate that businessmen have already revised their January plans upward to about a \$40 billion expenditure for new plant and equipment in 1963.

Recent improvement in corporate profits, and increased funds available for financing, apparently have encouraged some increase in business capital outlays. Business capital appropriations approved by producers of durables rose sharply in the fourth quarter of 1962. These appropriations usually lead outlays by 9 to 12 months. The sudden spurt in the closing months of 1962 probably reflected liberalized tax-depreciation rules, the boom in autos, and possibly some anticipation of further tax adjustments. Although auto and steel activity



picked up, some major industries continued to operate below capacity. New orders received by machine tool companies and by other durables producers rose sharply in the first quarter.

The economic environment this spring appears more conducive to increases in business investment than last fall. Corporate profits rose to a record \$54 billion in the fourth quarter, 6 percent above a year earlier. Liberalized depreciation guidelines have increased business internal funds. Increases in consumer demand during the past 6 months, and prospective further gains, may have prompted businessmen to revise spending plans upward.

Residential (nonfarm) construction totaled \$22.6 billion in the first quarter, down \$1.2 billion from the fourth quarter of 1962, but up almost 7 percent from a year earlier. Housing starts, although 4 percent above a year earlier, declined sharply in the first quarter from the previous quarter. Authorizations for new housing units continued at a high level in the first quarter of 1963 indicating a more than seasonal rise in stocks in the second quarter of 1963. From the recession low in the first quarter of 1961 to the third quarter of 1962, residential (nonfarm) construction rose 28 percent. However, since last fall it has retraced almost one-fourth of that rise, due in part to a relatively severe winter. Outlays for other construction also peaked in the third quarter of last year and declined over the last 6 months. A more than seasonal improvement in construction activity is expected in the second quarter, but activity for 1963 may total somewhat below 1962.

Inventory Investment Up

Inventory accumulation in the first quarter was at a \$2.5 billion rate, up from a \$1.2 billion rate of the previous quarter. Increases in steel stocks contributed to the rise in inventories, probably a hedge against possible work stoppages or price increases. Stepped up durable sales also were a factor in the rise.

The combined inventory to sales ratio of manufacturing and trade firms, at 1.45 in February, compares with the 1.47 average of the fourth quarter of 1962 and 1.50 in the first quarter of last year. Inventories in general do not appear unbalanced relative to sales. With some further expansion in total demand for goods, some continued buildup in inventories is expected, though the rise may be slower than during the opening months of 1963.

Government Demand

Purchases of goods and services by governmental units increased \$3.1 billion from the fourth quarter to a rate of \$123.8 billion in the first quarter. Federal purchases rose by \$2.5 billion, mostly for military and space research and exploration. The recent rise represented some acceleration in the uptrend in Government expenditures. The budgets for 1963-64 imply an increase in purchases of goods and services of around \$1 billion per quarter during the rest of 1963. Accordingly, Federal outlays for goods and services in 1963 may total \$4-5 billion above 1962.

Purchases by State and local Governments increased an average \$1 billion per quarter over the past two years to a rate of \$57.9 billion in the first quarter of 1963. This uptrend may result in 1963 outlays \$4-5 billion above 1962. Purchases accelerated in the third and fourth quarters of last year, mainly due to a stepup in the highway construction program and to an increase in employment. A smaller increase in the first quarter of this year reflected a slower expansion in employment and a leveling out of construction expenditures.

Production and Employment

Industrial production in the first quarter averaged about 1 percent higher than in the previous quarter. Most of the improvement was in March, when output reached a new high for the current expansion. The Federal Reserve index averaged 120 percent of the 1957-59 base in the first quarter and was 3 percent above January-March 1962. The index did not deviate more than 1 percent from 119 since May of last year. Among durable goods industries, production of motor vehicles and parts in the first quarter was about the same as in the last half of 1962. Production of steel rose appreciably in response to a large volume of new orders. Output in the clay, glass and lumber industries was lower than in the last half of 1962, reflecting a decline in construction spending over the past 5 months.

In the nondurable goods industries, textile production was up from the fourth quarter of last year, but the newspaper strikes in New York and Cleveland resulted in a drop in paper and printing output. Chemical and petroleum production declined, but increases occurred in food and beverage production.

Employment Rises with Production

There were 68.3 million persons employed in the first quarter of this year. This seasonally adjusted employment level represents a gain of nearly 350,000 from the fourth quarter and of around 700,000 workers from the opening quarter of 1962. Manufacturing employment increased, largely in response to stepped up activity in the steel and motor vehicle industries. Employment rose in the trade and service industries. The number of workers in the labor force increased a little more rapidly than the rise in employment. Accordingly, unemployment rose to a rate of 5.8 percent of the labor force, slightly more than in the opening quarter of 1962.

Prices and Interest RatesConsumer Prices Firm

Consumer prices rose 1.3 percent in the first quarter from a year earlier. Firmness in urban retail prices was due to a sharp first quarter rise in food prices, particularly fruits and vegetables, which more than offset a decline in meat prices. Prices for all items other than food averaged slightly below the fourth quarter 1962.

Prices paid by farmers for family living items, which had been stable for most of 1962, moved upward in the last 2 months of 1962 and again in the first quarter of this year. Prices paid for food, household furnishings, and building materials all advanced during the first 2 months of 1963. The advance of prices in household furnishings did not hold, however, in March.

Interest rates during the current expansion have not risen as much as in the 2 previous postwar expansions. Since the low point of this business cycle in early 1961, the rate on U. S. Government 3-month bills rose to 2.90 percent from 2.42 percent. In the 2 previous expansions, the bill rate more than doubled. The lower levels of interest rates occurred, even though in this expansion the Federal Reserve System held the bill rate up in an attempt to alleviate balance of payments pressures. Rates on long-term bonds, both U. S. Government and corporate AAA, also rose less in the current expansion than in the previous expansions.

Balance of Payments Deficit Unchanged

During 1962, the flow of short-term funds abroad declined by more than one-half but Government grants and the flow of long-term funds increased foreign claims on the United States. Merchandise imports increased more than exports in 1962, resulting in a further decline in the U. S. net exports balance. In January 1963, merchandise exports were cut in half by the dock strike. Merchandise imports also declined but not nearly as much as exports, thus further reducing U. S. net exports in January.

Accordingly, the U. S. balance of payments deficit did not improve much in 1962 from 1961. Americans purchased and invested abroad \$2.2 billion more than foreigners bought or invested in the United States compared with a balance of payments deficit of \$2.4 billion in 1961 and \$3.9 billion in 1960.

FOREIGN TRADE

World Industrial Outlook
Continues Favorable

Economic activity in industrial nations abroad is expected generally to continue strong in 1963, although the rate of expansion may be slower than in 1962. Wage increases and inflationary pressures abroad could favor U. S. trade.

Business activity in Canada increased at a rapid pace in 1962, and the expansion is expected to continue about the same in 1963. The Canadian dollar was officially devalued in mid-1962 to improve Canada's balance of payments position, making the export of goods to Canada relatively more difficult. Currently, \$1 in U. S. currency equals about \$1.08 in Canadian currency. Total U. S. agricultural exports to Canada in 1962 rose, however, to \$512 million from \$491 million in 1961. These statistics include shipments intransit to other countries which are stored temporarily in Canada and used to finish loading vessels traveling through the St. Lawrence Seaway.

Allowing for these estimated intransit shipments to Canada, Japan was the largest final importer of U. S. agricultural goods in 1962 and the major market for U. S. soybeans, cotton, and hides and skins. Japan's high growth rate achieved in 1962 is expected to continue in 1963. This year, as last year, about one-half of the increase in Japan's Gross National Product is expected to be absorbed in price increases.

While there may be in 1963 some modest increase in business activity in Great Britain over the uncertain pace of 1962, the outlook for Britain is clouded by lagging consumption, high unemployment, and unused capacity. Recently, the British Government issued the new budget, which calls for tax reductions and increased Government spending in an effort to stimulate demand. Private investment plans have stalled in Britain because of uncertainties surrounding the negotiations for entry into the Common Market and their subsequent collapse.

Economic growth in India is expected to slow in 1963, possibly to a rate barely sufficient to accommodate the rapidly growing population. Growth in Gross National Product beyond this level would be attributable in large part to rising prices. Mobilization for possible renewed border hostilities with Communist China may divert some resources from planned economic growth. The planned increase of 6 percent in agricultural output in 1961-62 was not achieved, and the need for imports of agricultural commodities from the United States, particularly food grains and cotton, likely will continue strong.

Most of the countries of the Common Market are expected to experience some slowing of the rapid growth of the past several years, but overall business activity in 1963 is expected to continue strong. A 4.5 growth rate in combined Gross National Product for 1963 is forecast by the Executive Commission of the Common Market, about the same rate of growth as in 1962. Full employment, rapid wage increases and rising consumer prices are characteristic of these economies. Exports to the Common Market countries, which are nearly all commercial sales, normally account for about one-fourth of total U. S. agricultural exports. The system of variable import levies under the Common Agricultural Policy became effective on July 30, 1962, limiting particularly U. S. exports of wheat flour and poultry.

Current Exports Somewhat
Below Last Year

Total U. S. agricultural exports in the current fiscal year likely will total \$5.0 billion, near the record high level of \$5.1 billion in 1961-62. The volume of exports indicated by estimates of shipments of major commodities will be near last year's level. U. S. agricultural exports in the first 8 months of the current fiscal year totaled \$3,159 million, about 6 percent below the same period in the preceding year. Factors affecting the decline include the longshoremen's strike in late December and most of January, and the imposition of the Common Market variable import levies last July 30. Large exports during February restored some of the loss due to the strike, and most of the remaining backlogs may have been shipped in March and April. Agricultural exports to the Common Market were about one-eighth lower in August 1962-February 1963 than in the same months a year earlier.

U. S. exports of wheat (including the wheat equivalent of flour) may total 615 million bushels in 1962-63 compared with the record 718 million bushels in 1961-62. Reduced requirements in many importing countries and a near-record world wheat crop are largely responsible for the decline.

A decline of nearly 10 percent is expected for feed grain exports in the the 1962-63 marketing year from last year. Grain movements this winter were slowed more than usual by frozen rivers. The longshoremen's strike and the Common Market levies also contributed to the decrease in shipments. Export demand through spring and summer is not expected to be as strong as in 1962, when a late spring increased feed requirements in Western Europe.

Cotton exports in the current marketing year will total well below the 4.9 million bales exported in 1961-62. Foreign free world consumption is expected to decline about 3 percent from last year, and U. S. cotton has encountered increasing competition from record production of both cotton and manmade fibers in foreign countries.

Exports of unmanufactured tobacco are expected to decline to around 475 million pounds (export weight) in fiscal 1962-63 from 520 million pounds in 1961-62.

The decline is attributed to increased competition and to the poor quality of much of the 1962 crop of U. S. flue-cured, which ordinarily accounts for about four-fifths of tobacco exports. U. S. exports also have been slowed by ample stocks and lagging consumption in the United Kingdom, the leading U. S. foreign market for tobacco.

Exports of all food fats and oils (including the oil equivalent of soybeans) may set a new record of around 4.7 billion pounds in the current marketing year, up from 4.1 billion pounds last year. The expected increase in exports of edible vegetable oils and butteroil will be due mainly to expansion of the Food for Peace Program (all titles of P. L. 480). Government program exports will account for nearly 60 percent of edible oils moving abroad. Soybean exports, which are all dollar sales, probably will increase to 175 million bushels from 153 million last year. The demand for soybean meal is expanding rapidly, because improved feeding practices require high-protein feeds. Most of the increase in soybean exports will go to Western Europe, where expansion of the poultry industry in the Common Market countries requires more and higher-quality mixed feeds.

Exports of dairy products--including butter, butteroil, and ghee--are expected to increase from 1.25 billion pounds (milk equivalent) in 1962 to around 4 billion in 1963. Exports financed by Government programs will comprise about 90 percent of the total in 1963 compared with about 60 percent in 1962. Nonfat dry milk exports are being bolstered by expansion of the School Lunch Program abroad, particularly in Japan.

Exports of poultry meat, largely broilers, probably will decline about 20 percent in 1963 from 1962. Trade regulations of the Common Market, the major foreign outlet for U. S. poultry in 1962, are much more restrictive. Turkey exports to the EEC may be maintained, however, because the Common Market does not produce a significant quantity of turkeys.

Imports of Nonquota Dairy Products and Beef Rise

From 1958 to 1960, dairy imports totaled between 500 and 600 million pounds milk equivalent each year, but in 1961 and 1962 they jumped to 752 and 754 million pounds, respectively. Imports of many dairy products are restricted by quotas imposed under Section 22 of the Agricultural Adjustment Act, but the increase in the last 2 years occurred because of the entry of nonquota products. In recent months, fresh frozen cream and a sweetened 44 percent milk fat product used in manufactured products have started to enter the United States in substantial quantities. The entry of these products is not restricted by quotas which limit imports of products with 45 percent or more milk fat content. About 43 million pounds of milk equivalent of these unrestricted products entered the United States in the first quarter of 1963.

Imports of beef and veal totaled a record 948 million pounds (product weight) in 1962, over 40 percent above the previous record a year earlier.

Most of these imports consist of lower grade boneless beef for manufacturing. The volume of these imports tends to rise when cow slaughter is low and cow prices are high. They supplement the domestic supply of cow beef.

CURRENT COMMODITY SITUATION

LIVESTOCK AND LIVESTOCK PRODUCTS

Meat Animals

Prices of fed cattle and hogs declined sharply during the past winter from peaks reached in the fall of 1962. This was a result of a combination of factors: (1) A large increase in the volume of steer beef production from November to January; (2) large supplies of pork in the first quarter of this year; (3) increases in broiler slaughter over a year earlier; (4) prospects for continued large production of red meat; and (5) the usual lag of retail prices behind those at wholesale.

The decline in cattle prices, which began in late November and extended into March, was primarily a drop in fed steer prices, not a general break in the cattle market. Competitive classes and grades, such as fed heifers and lower-grade steers, dropped to a lesser extent. Prices of slaughter cattle (cows and bulls) that do not compete closely with fed steers increased during the first quarter of 1963.

The sharp downward movement in the first quarter of this year appears to be primarily the result of a sharp increase in the volume of fed steer beef produced. There seems to have been a growing recognition of the heavier supply situation in prospect.

Despite an increased volume of marketings of fed cattle during the first three months of this year, slaughter supplies will continue large through the second quarter. Eleven percent more cattle and calves remained on feed in these same States on April 1 than a year earlier. The number of cattle weighing over 900 pounds in feedlots was also up 11 percent, indicating that second quarter marketings of fed cattle will be considerably above those in 1962, and that fed cattle prices will be under pressure throughout the second quarter. The outlook is for some improvement in fed cattle prices later in the year, due to an expected decline in fed beef production.

Hog prices dropped sharply during the first quarter of 1963, due largely to the supply situation. The June-November 1962 pig crop of 44.5 million head was 5 percent more than the crop a year earlier and the second largest fall pig crop of record. Commercial hog slaughter in January exceeded slaughter in

January 1962 by 4 percent, and was 7 percent above December 1962. February commercial slaughter was 6 percent above last year. Weekly hog slaughter under Federal inspection in March averaged 10 percent above the same weeks a year earlier.

Although slaughter during the second quarter will be declining seasonally, it will continue above year-earlier slaughter but not by a large margin. The Pig Crop Report, released March 21 by the Crop Reporting Board, showed that the total number of hogs on farms in 10 Corn Belt States on March 1 was only 1 percent above a year earlier. The supply of slaughter barrows and gilts in this year's March 1 inventory in the 10 Corn Belt States likely was only about 2 percent above a year before.

Slaughter under Federal inspection the first 3 weeks in April averaged only 4 percent above the same weeks in April 1962. The average weight of barrows and gilts at 8 markets dropped below year-earlier weights the second week in March and remained below since. Prices for slaughter barrows and gilts in early April probably were at or near their low for the year.

Producers in 10 Corn Belt States reported intentions to increase farrowings during March-May by 4 percent over a year earlier. If these intentions are carried out, slaughter through the fall and early winter can be expected to be up somewhat from the fall of 1962. In this case, prices next fall could be expected to average somewhat below the 8 market average of \$16.32 in November-December last year.

Unlike cattle and hogs, sheep and lamb slaughter in January-March was considerably under first quarter slaughter in 1962. Slaughter in January and February in commercial plants averaged almost 9 percent smaller than in the first 2 months of 1962. In March, weekly sheep and lamb slaughter in Federally inspected plants averaged about 3 percent under the same weeks last year.

Slaughter rates likely will continue under 1962 levels, but the margin will narrow during the second quarter. There were 6 percent fewer sheep and lambs on feed March 1 in 7 major feeding States this year, and the early lamb crop is probably down only slightly. The January 1 number of breeding ewes in the principal early lamb-producing States was 3 percent lower this year than on January 1, 1962.

Choice-grade lambs at Denver were just under \$20.00 in early January. They worked down to \$19.00 by the final week in March but were \$2.00 above a year earlier. As the retail trade shifts to featuring spring lamb, prices likely will rise seasonally \$3.00 to \$4.00 above prices in March. Lamb prices probably will respond to the lower supply level and remain above those of last year through the rest of 1963.

Dairy Products

Milk production reported for the first quarter of 1963 averaged around 1 percent below the first quarter of last year. Declines have been particularly sharp in the North Central States, while increases in the North Atlantic States

have averaged between 3 and 4 percent. The gap between output this year and last was narrower in March than in February and may close during the current quarter, if pasture conditions become favorable.

Prices farmers received for milk and cream during the first quarter of 1963 were slightly less than in the same period of last year, when the support level was higher. The price of all wholesale milk averaged 13 cents lower, with declines below last year roughly comparable for manufacturing grade milk, milk eligible for fluid use, and milk used for bottling purposes. March prices farmers received for all wholesale milk was \$4.03 per 100 pounds compared with \$4.16 in March 1962. This is the lowest price since March 1956 and is 9 cents below the 1957-59 March average of \$4.12. The price farmers received for milkfat in farm-separated cream in January and February averaged nearly 2 cents per pound below these 2 months in 1962; in March, however, the price per pound of milkfat rose contraseasonally to 58.9 cents from 58.7 cents in February.

In the second quarter of this year, prices for manufacturing grade milk and milkfat can be expected to decline seasonally but will remain close to the support level. The support level was again set at 75 percent of parity for the marketing year that began April 1, 1963. For manufacturing grade milk this is \$3.14 per 100 pounds, 3 cents per hundredweight above a year earlier. The 1963-64 level is 26 cents below that set for the 1961-62 year. Lower prices for milk eligible for fluid milk can be expected as supplies of milk increase and as Class I prices adjust seasonally.

Cash receipts from farm marketings of dairy products in 1962 were \$4,858 million, the second highest on record and 1.2 percent below the record 1961 receipts of \$4,919 million. This is the first decline in gross cash receipts since 1958. Although total farm marketings of milk and cream rose from 117.1 billion pounds in 1961 to 118.2 billion pounds in 1962, the decline from 1961 to 1962 in prices farmers received for milk and cream resulted in lower cash returns. Indications are that in 1963 farm marketings of milk and cream will be above 1962 levels but that prices received by farmers will average slightly lower. As a result, cash receipts from dairy farming in 1963 are likely to be close to the 1962 figure.

CCC purchases (delivery basis) of dairy products in the 1962-63 marketing year were 347 million pounds of butter, 137 million pounds of American cheese, and 1,279 million pounds of nonfat dry milk. This amounted to 8.7 billion pounds of milk equivalent, or 7.1 percent of the milkfat and 11.7 percent of solids-not-fat produced. Purchases in 1961-62 were 11.1 billion pounds of milk equivalent, with milkfat 8.9 percent and solids-not-fat 11.8 percent of production. CCC purchases in the first quarter of calendar 1963 were substantially below the extraordinarily heavy level in the same period of 1962 and slightly below the heavy purchases in the same period of 1954. Purchases in the 1963-64 marketing year may exceed those in the past year.

A "What's Where" of USDA dairy statistics is one of the features of the April issue of "The Farm Index," available free from the Division of Information, Office of Management Services, U. S. Department of Agriculture, Washington 25, D. C.

The "Dairy Facts" feature is an 8-page descriptive list of over 25 of the main statistical reports, in addition to The Demand and Price Situation, published by 5 USDA agencies. They cover every phase of dairy production, distribution, manufacturing, and storage.

Production of butter was about 10 percent below 1962 levels and American cheese about 2 percent lower during January-March. These drops reflect lower milk production and an increase in the use of milk for other manufactured dairy products and for fluid milk and cream.

Poultry and Eggs

Egg production in March moved up close to last year's level. The rate of lay rebounded almost up to the year-earlier mark, but there were fewer layers on farms. March output was down 1 percent from a year earlier; in January and February it was off 3 percent. On April 1, the Nation's farms were turning out just as many eggs as on the same date in 1962. During the next several months, egg output is likely to continue about the same as a year earlier and likely will average for the year a shade below 1962 egg production.

Farmers' egg prices averaged 36.4 cents per dozen in mid-March compared with 33.0 cents in March last year. From last September through this March, mid-month prices were unusually stable, remaining within a range of 36 to 37 cents per dozen. However, sharp declines occurred during the Easter marketing period, and on April 16 USDA announced that it would buy dried egg for distribution to schools and institutions. Quotations for wholesale and consumer-grade eggs on April 19 were down from mid-March mostly by 7 to 9 cents per dozen for large eggs and mostly 9 cents for medium-sized eggs, except on the Pacific Coast where prices were down a little less.

Prospects now are for little change from 1962 in the number of flock replacement chickens raised. With some further increase in the rate of lay likely this would mean higher egg production than a year earlier before the end of 1963. Egg prices in the fourth quarter of 1963 are likely to be lower than a year before.

Broiler slaughter has been reduced below the 1962 level because of higher feed and chick prices than a year ago in recent months and of lower broiler prices through March. Through June, broiler supplies probably will continue a little smaller to about the same as in these months last year. Despite the fact that beef and pork will be more plentiful and broiler exports probably will be less this year than in 1962, prices received by producers for broilers in the second quarter are likely to hold at least at mid-April levels. On April 19, prices for broilers in Georgia were mostly 14 cents per pound, or $\frac{1}{2}$ cent higher than a year earlier. Broiler prices have been generally higher since early April, and this appears to be stimulating an expansion in broiler production. Eggs set for broiler chick production in 22 States were up from the year before by 5 percent in the 3 weeks ending April 13.

Midway through the main hatching season, indications are for only a small increase over 1962 in the 1963 turkey crop. The number of turkey breeder hens on farms could have provided enough poults for about a 10-percent rise in output. However, growers appear to be carrying out their January intentions to raise only about 3 percent more birds this year than last. The number of

poults hatched from September 1962 through March 1963 totaled 34 million compared with 33 million in 1962. However, on April 1, there were 3 percent fewer eggs than a year earlier in incubators for poult production. In March, producers received 22.5 cents per pound for turkeys, up from 20.8 cents in March 1962. From mid-March to mid-April price quotations declined a little.

Wool

World wool supplies are estimated about 50 million pounds less in the 1962-63 marketing year than a year earlier, due to lower world production and smaller carryover stocks. World consumption of raw wool in 1962 was relatively stable at near-record levels and likely will be maintained in 1963. This short supply-firm demand situation caused fine and medium wool prices to rise to the highest levels in nearly 5 years. World production and consumption of manmade fibers has been rising rapidly and are expected to continue rising in 1963. Increasing interfiber competition likely will be reflected in moderately declining world wool prices during the remainder of the 1962-63 marketing season.

The outlook for the U. S. wool industry in 1963 is for: Lower U. S. wool production; moderately declining wool prices in the "open market;" slightly less mill use of raw wool; continued high level of imports of wool textile products; and increased blending and substitution of the manmade fibers.

Although U. S. mill demand for raw wool remains relatively firm, wool prices likely will decline moderately during the 1963 marketing year (April 1, 1963-December 31, 1963) due to the increasing use of the lower-priced manmade staple fibers. The average price received by growers for shorn wool in the 1962 marketing year probably will be near the average of 46.5 cents per pound, grease basis, received during April-January, the first 10 months of the year. In March 1963, this average price rose to 48.7 cents, 8 percent above a year earlier and the highest average midmonth price since November 1957.

The shorn wool incentive level for the 1963 marketing year is established at 62 cents per pound, grease basis. This is the same level as for the first 8 years of the program under the National Wool Act of 1954.

On January 1, 1963, there were 30.2 million head of sheep and lambs on farms and ranches, including stock sheep and those on feed, 4 percent less than a year earlier. Stock sheep numbered 26.1 million head, 3 percent less than a year earlier and the smallest inventory since 1867. This decline in sheep numbers likely will be reflected in a lower production of wool in 1963 than the 278 million pounds produced in 1962, which in turn was 6 percent less than 1961. The clean equivalent of the 1962 production was 134 million pounds. This likely will be about 130 million pounds in 1963.

During early 1963, mill use of apparel wool was about the same as in early 1962; carpet wool use was up substantially. Apparel wool mill use during the first 2 months of 1963 amounted to 47.7 million pounds, scoured basis, slightly less than the 48.3 million used a year earlier. Use of 19.4 million pounds of wool on the woolen system was equal to a year ago, but the

28.3 million pounds used on the worsted system was less than a year earlier. Although mill use of apparel wool was almost unchanged from a year earlier, the total fiber used on the woolen and worsted systems increased. On the woolen system, where most of the increases occurred, more use was noted of reused and reprocessed wool and manmade fibers, especially rayon and acetate. Mill use of carpet wool during the first 2 months of 1963 totaled 29.3 million pounds, scoured basis, 15 percent greater than in the same period of 1962. Manmade fibers increased in their share of the total fibers used in the spinning of carpet and rug yarns.

Although the dock strike on the East and Gulf coasts reduced imports of raw wool during January, totals for the first 2 months of 1963 were above those in the same period of 1962, reflecting the short supplies on hand and the steady demand for mill use of wool. Imports of dutiable raw wool during the first 2 months of 1963 amounted to 27.4 million pounds, clean content, 15 percent above the same period of 1962. Duty-free imports of raw wool used mostly in carpets and rugs totaled 26.6 million pounds, clean content, 26 percent above the first 2 months of 1962. Imports of wool textile products were reduced by the dock strike in January but increased again in February, resulting in total imports for the 2 months at about the same level as in January-February 1962.

CROPS

Wheat

The 1962-63 year, ending next June 30, is highlighted by the small 1962 crop, a continued high level of exports (estimated at 615 million bushels for the marketing year), higher prices, and the prospect of a further reduction in the wheat carryover. Use of the price support program has been heavy; about a quarter of the 1962 crop has been placed under support. The ending carryover of all wheat is expected to decline for the second consecutive year and may total about 1,180 million bushels, with decreases in winter wheat stocks more than offsetting prospective increases in spring wheat stocks.

The tight supply of "free" wheat is primarily responsible for the prevailing price strength. The most pronounced price rise was in hard winter wheat. Free supplies of old-crop wheat probably will continue tight because of heavy export demand and a reduction in the loan rate for new-crop wheat.

The 1963 wheat crop is expected to total about 1,167 million bushels, with winter wheat at 927 million bushels and spring wheat put at 240 million. The 1963 crop is somewhat above the small 1962 crop, but is slightly below the 1957-61 average. The voluntary acreage diversion program, along with severe winter conditions and drought in the Southwest, contributed to the below-average crop. With disappearance in 1963-64 at the same level as this year, the July 1, 1964 carryover may be less than a year earlier.

The national average loan rate for 1963-crop wheat is \$1.82 per bushel compared with \$2.00 in 1962. Producers participating in the voluntary acreage reduction program will receive 18 cents per bushel based on the normal production of the farms' acreage for harvest in addition to acreage diversion payments.

The referendum on the 1964 Wheat Program is to be held on May 21. The acreage allotment for the crop is set at 49.5 million acres. If the referendum is approved, the price support level for certificate wheat (about 80 percent of normal production) will be \$2.00 per bushel. For non-certificate wheat it will be \$1.30. State acreage allotments have been announced. There will be no non-commercial wheat-producing States designated under the 1964 program.

Feed Grains

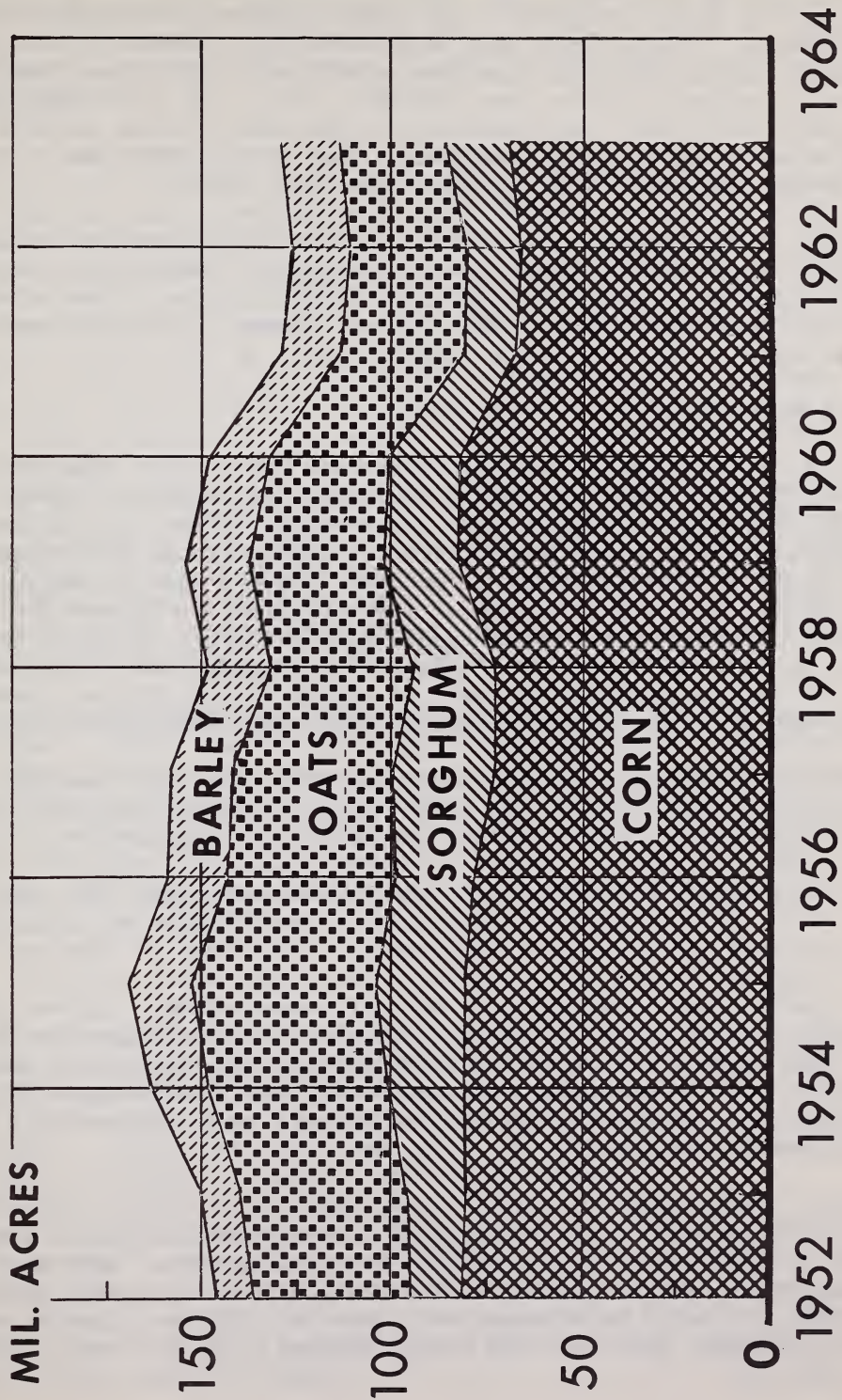
Based on early spring prospects, the total supply of feed grains for 1963-64 would be slightly below the 1962-63 supply and about 7 percent below the record supply in 1960-61. The prospective acreage of feed grains again reflects the influence of the Feed Grain Program, as farmers plan to reduce their 1963 plantings about 23 million acres below the 1959 and 1960 average. The prospective acreage, however, is about 2 percent above 1962. Average yields, with allowance for the upward trend, would produce a feed grain crop of nearly 152 million tons, 6 percent above 1962. The carryover of feed grains into 1963-64 is expected to be around 10 to 12 million tons below the 72 million tons carried over in 1962, which would result in a total feed grain supply in 1963-64 a little below the 1962-63 supply of 215 million tons.

Preliminary returns on the signup under the 1963 Feed Grain Program indicate that nearly 26 million acres of corn, sorghums, and barley will be diverted to soil-conserving uses this year, about 3 million acres less than in 1962. The total base acreage on farms participating in the program will be slightly larger than last year, but farmers have signed up to divert a smaller percentage of their base to soil-conserving uses.

The number of grain-consuming animal units on farms, which has trended upward since 1957, is expected to increase slightly in 1963-64. Assuming that total requirements of feed grains in 1963-64 will be a little more than is currently estimated for 1962-63, the 1963 crop would again fall below total domestic use and exports in 1963-64. However, should the crop be as large as indicated by early prospects, the reduction in carryover stocks in 1963-64 would be somewhat less than the average reduction of about 12 million tons for the 2 preceding years.

Feed grain prices advanced somewhat more during the 1962-63 season than last year. In March, the index of prices received by farmers for feed grains was 4 percent higher than a year earlier. High-protein feed prices have been higher this year than last, averaging 13 percent higher in March. On the other hand, prices received by farmers for livestock and livestock products declined in recent months; in March, they were about 5 percent below the level for that month last year. This has resulted in livestock-feed price ratios becoming less favorable--especially for hog producers, cattle feeders, and dairymen--this winter and spring following 3 or 4 years of generally favorable relationships.

FEED GRAIN ACREAGE PLANTED



1962 PRELIMINARY. 1963 BASED ON MARCH 1 PROSPECTIVE PLANTINGS.

Corn prices have advanced more than seasonally since last November. In the first half of April the price of No. 3 Yellow Corn at Chicago averaged \$1.20 per bushel, 7 cents higher than a year earlier. Market prices of sorghum grains in early April were a little above a year ago, oat prices were near last year's level, and barley prices were somewhat lower. The generally good demand for feed grains this year, and prospective tightening of free supplies this spring and summer, are expected to maintain feed grain prices above a year earlier during the remainder of the current marketing year.

Exports of feed grains dropped below a year earlier during January-March, following the heavy exports during October-December. From October through March, exports of feed grains totaled about 8 million tons, 5 percent below exports in the same period last year. Exports during the 1962-63 marketing year are expected to fall below the 1961-62 record of 17.3 million tons.

Oilseeds, Fats and Oils

Total U. S. supplies of soybeans available the rest of this marketing year will be slightly less than during the spring and summer of 1962, but requirements this year will be greater. The supply situation will tend to tighten before new-crop beans are available, usually around mid-September. Carryover stocks of old-crop beans on October 1, 1963, will be sharply below those on the same date a year earlier. Soybean prices to farmers increased from a monthly average of \$2.23 per bushel last October to \$2.51 in March 1963. During that period, CCC virtually liquidated its holdings of 40 million bushels of beans. Prices are expected to continue strong this spring and summer, averaging above the \$2.33 per bushel received during April-September 1962.

The CCC price-support loan takeover date for 1962-crop beans has been extended 2 months, through July 31, 1963. This action probably will tend to stabilize soybean market prices during the spring planting months.

The total supply of soybeans for the 1962-63 marketing year that started October 1, 1962, is estimated at 723 million bushels (after adjusting for new-crop beans crushed and exported in September). Crushings of soybeans for oil and meal during the entire 1962-63 season likely will total around 470 million bushels, 7 percent more than the year earlier record grind. Soybean exports are expected to total about 175 million bushels, 14 percent greater than in 1961-62. This would result in a carryover of old-crop soybeans of around 35 million bushels on September 30, 1963, compared with 58 million on the same date last year. A carryover of 35 million bushels would be less than 1 month's requirement for crushing alone.

Despite strong domestic demand, heavy supplies of edible vegetable oils, lard, and butter exerted downward pressure on the general level of food fat prices during the first half of the 1962-63 marketing year. Soybean oil prices (crude, Decatur) so far in 1962-63 were relatively stable, edging up slightly from 8.6 cents per pound in November to 9.3 cents in March. For the entire 6 months, they averaged 8.9 cents per pound compared with 10.4 cents in the same period of 1961-62.

Soybean oil prices during the remainder of the 1962-63 marketing year are expected to rise slightly, running somewhat above the April-September 1962 average of 8.6 cents per pound. The season-average oil price for the entire 1962-63 marketing year is expected to average almost 9.5 cents per pound, roughly the same as in 1961-62.

Factors pointing to some rise in soybean oil prices during the rest of the marketing year include: (1) A sharp pickup this spring and summer in exports of edible vegetable oils, particularly under Government programs; (2) relatively high soybean prices associated with the decline in availabilities; (3) no significant change in soybean meal prices; (4) some strengthening in cottonseed oil prices because of a seasonal decline in output; and (5) the outlook for little change in supplies but increased requirements of food fats and oils in 1963-64.

Exports of food fats (including the oil equivalent of soybeans) during October-February 1962-63 totaled 1.7 billion pounds, about the same as a year before. The dock strike reduced exports during late December and January. During March-September 1963, export demand for U. S. soybeans from dollar importing areas is expected to be stronger this year than last, and the movement of cottonseed and soybean oils under the Food for Peace Program (especially for foreign currency under Title I, P.L. 480) will increase sharply. For the entire 1962-63 marketing year, exports of all food fats and oils may set a new record of around 4.7 billion pounds compared with 4.1 billion last year. More soybeans, edible vegetable oils, and butteroil, but less lard are expected to move out during the current marketing year than last.

Early season indicators point to about the same level of supplies of food fats and oils in 1963-64 as in the current marketing year. Starting stocks next October 1 (including oil equivalent of soybeans) will be about the same, but slight decreases in output of lard, butter, and cottonseed oil are in prospect. Total supplies of soybeans (including carryover) in 1963-64 are expected to be up slightly from the 723 million bushels available in 1962-63. The strong demand generated for food fats and oils during the current marketing year is expected to continue well into 1963-64.

Fruit

Consumer demand for fresh and processed fruit this spring and summer, supported by rising consumer incomes, is expected to continue a little above the high level of this period last year. Remaining supplies of fresh citrus fruit are much lighter than a year ago, because of winter freezes, and prices are sharply higher. Stocks of apples and pears are heavier and prices generally lower, except for apples in some of the eastern States.

April 1 prospects for peaches in the southern States pointed to a crop a little larger than last year and near the 1957-61 average. Most of the prospective increase this year is in States west of the Mississippi River, though good crops seem probable again in the usual heavy-producing States of South Carolina and Georgia. Winter kill of peach buds was heavy in many orchards in the North Central and Middle Atlantic States.

In California, most deciduous fruits bloomed before April 1, earlier than both last year and usual. Peaches from California and the southern States are among the earliest of new-crop tree fruits to be harvested--marketing usually starts in May. Other California fruits that start to market in May or June are sweet cherries, plums, apricots, nectarines, and grapes. It is still much too early in the season for a good indication of the size of the above fruit crops this year.

In early April, the condition of citrus trees and status of bloom for the 1963-64 crop were about as follows: In Florida--on the east coast, in the southeastern interior region, and on the lower west coast, citrus trees generally appeared healthy and had a good bloom. In northern interior counties and along the upper west coast, many trees continued to show die-back as the result of freeze damage last winter, and these trees had not bloomed. Citrus trees in Texas showed new growth on limbs defoliated by the late January freeze. Larger trees that were not defoliated bloomed during March and show a light set of fruit. In California, March weather was favorable for citrus.

Harvest of the reduced 1962-63 Florida crops of oranges and grapefruit was far advanced by mid-April and will be substantially completed during May. In 1962, harvest was seasonally heavy during May and June and continued well into summer. However, remaining supplies of California-Arizona oranges as of mid-April this year were a little larger than a year earlier. They will be the main source of fresh oranges from late spring to early fall. Grower prices for Florida oranges and grapefruit continue much above a year earlier. For California oranges, prices for most market classes continue above the high levels of last year. Remaining supplies of lemons are lighter and priced higher than a year ago.

Output of Florida frozen orange concentrate to April 6 of the 1962-63 season was down sharply from a year earlier, and for the entire season is expected to be less than half the record 1961-62 pack. Total supplies until at least the beginning of the new pack next fall will be much smaller than they were during the same time last year, and prices are expected to remain substantially higher. Reduced supplies of canned citrus juices are in prospect this spring and summer.

The 1963 commercial strawberry crop in the early spring States (Louisiana, Texas, and Alabama) was estimated as of April 1 to be about 29 percent smaller than the above-average 1962 crop. Movement from these States and California to fresh markets started with light shipments in March. Acreage in the midspring States, which include California, is 4 percent smaller than last year. But prospective acreage in the late spring States is up a little. The midspring and late spring States grow most of the annual crop of strawberries, including those processed. Cold-storage stocks of frozen strawberries on April 1, 1963, were slightly larger than a year earlier.

Commercial Vegetables

Fresh: Supplies of vegetables for fresh market sale this spring probably will be close to those of last spring and near the 1957-61 average. Aggregate production of 18 spring crops, which make up about 3/4 of total spring production, excluding melons, is about 1 percent above that of last spring. Among the various crops, substantially smaller tonnages are expected for early spring cabbage and tomatoes, and for spring spinach and eggplant. Prospects are for substantially larger production of early spring snap beans, broccoli, cauliflower, and cucumbers, and for moderately larger production of sweet corn than a year ago. Production of spring carrots, celery, and green peppers is expected to be larger.

Although production of fresh vegetables for spring harvest is about the same as last year, crops in many areas are further advanced and marketings into early or mid-June may be larger. If so, prices to growers are likely to continue to average substantially below the relatively high levels of a year earlier. Although production estimates are not yet available, indicated acreages are smaller than a year earlier for late spring asparagus and onions, and for spring lima beans and cantaloups. A larger acreage is expected for midspring snapbeans and late spring cabbage and watermelons. Intentions reports indicate that growers plan smaller acreages of early summer cabbage, onions, watermelons, and late summer cabbage, but larger acreages of late summer onions and watermelons.

Processed: Remaining supplies of canned vegetables appear to be somewhat larger than those a year earlier and are well above the recent 10-year average. Slightly fewer snap beans, and probably fewer cucumber pickles, are available than a year ago. Most other major canned items are in moderately to substantially larger supply. Overall stocks of frozen vegetables, excluding potatoes, on April 1 amounted to 747 million pounds, slightly more than a year earlier. Holdings of asparagus, snap beans, broccoli, Brussels sprouts, and mixed vegetables are smaller than a year ago. But stocks of lima beans, carrots, corn, and green peas are larger. Stocks of frozen French fried potatoes are materially larger than those a year ago.

Production of winter spinach for processing was almost a third larger than last year. Recent intentions reports indicate that processors plan to plant 2 percent more acres to snap beans and 3 percent more to green peas this year than last. But 4 percent less acreage is expected to be planted to contract cabbage for kraut. Declines of 12 percent are reported for sweet corn and about 20 percent for lima beans and tomatoes. Should yields be near the average of recent years, aggregate tonnage of the 9 vegetables would be substantially smaller than the heavy production last year.

Potatoes

Supplies of potatoes in recent months, although larger than normal have been moderately smaller than the heavy supplies a year earlier. Prices to growers have averaged substantially higher. Supplies into mid-June are expected to continue to exceed market needs. Early spring production, at 4.4 million

hundredweight, was about a fourth larger than a year earlier. Indicated late spring acreage is 5 percent larger than last year. Intentions reports indicate that growers plan to plant 1 percent fewer acres of potatoes for summer and fall harvest than was planted in 1962.

Dry Beans

Remaining supplies of white classes of beans, as a group, appear to be moderately larger than last year, mostly because of heavier supplies of pea beans and small whites. Fewer Great Northern beans are available than a year ago. Supplies of colored classes of beans, as a group, are considerably smaller than those a year earlier. Substantially more small red beans, and about as many red kidney beans, are available than a year ago. Remaining supplies of pintos and pink beans are substantially smaller. Materially more large lima beans and at least moderately more baby limas are available than a year ago. Because of generally smaller supplies of colored classes, as well as of some white classes, prices to growers probably will average a little higher during the remaining months of the season than a year earlier.

Intentions reports, as of March 1, indicate that growers plan to plant about 4 percent less acreage to dry beans than was planted in 1962. Should yields be near the average of recent years, however, production on the indicated acreage would be a little larger than last year.

Cotton

The carryover of all kinds of cotton in the United States on August 1, 1963, is expected to total at least 10.6 million bales. This is about 2.8 million bales more than on the previous August 1 and the largest carryover since 1957. However, it is about 27 percent below the record carryover of 14.5 million bales on August 1, 1956. The carryover increase is expected this year because of the smallest disappearance since 1958-59 and the largest crop since 1953.

Mill consumption of all kinds of cotton during the 1962-63 crop year is estimated at 8.3 million bales compared with 9.0 million consumed in 1961-62. Factors contributing to a lower level of cotton consumption during the current season include: (1) Increases in total mill consumption of manmade fibers--up 18 percent in calendar 1962; (2) sharp increases in cotton textile imports--up 64 percent in 1962; and (3) uncertainty in the cotton industry because of possible new cotton legislation.

U. S. exports of cotton during the 1962-63 season will total well below the 4.9 million bales exported in 1961-62. Exports are declining because U. S. cotton has encountered increasing competition in world markets from record production of cotton in foreign countries and from a decline in consumption abroad. Foreign free world production of cotton in 1962-63 is expected to increase about 1.8 million bales from a year earlier, while consumption may decline about 0.7 million.

On February 6, 1963, USDA announced a minimum 1963-crop support price for Middling 1-inch cotton. The price is 32.47 cents per pound, gross weight, at average location. This is the same support price as was in effect in 1962

for such cotton. A minimum national average support price (average of the crop) of 31.70 cents per pound also was announced. For 1963-crop extra-long staple cotton, the level of price support will average 53.17 cents per pound, net weight--the same as for the 1962 crop.

Imports of cotton textiles, on a raw cotton equivalent basis, totaled a record 644,600 bales in calendar 1962. This is 251,500 bales above imports in 1961 and 119,100 bales higher than the previous record in 1960. Exports of cotton textiles in 1962 were equivalent to 460,900 bales of cotton compared with 498,000 in 1961. In 1962, for the second time on record, the United States was a net importer of cotton textiles. The import trade balance for 1962 was 183,700 bales compared with an import balance of 40,000 bales in 1960.

Planting of about 14.8 million acres of all kinds of cotton is indicated for the 1963 crop. This is 9.2 percent less than the 16.3 million acres planted in 1962 and would be the smallest acreage since 1958. The indicated planted acreage for 1963 represents about 90 percent of the total acreage allotted.

Ginnings from the 1962 crop totaled 14.9 million running bales, as reported by the Bureau of the Census on March 20, 1963. This compares with 14.3 million bales for the 1961 crop and is the largest since 1953.

Tobacco

Cigarette output and consumption in 1963 are expected to show modest gains over the record 1962 highs. In 1962, U. S. smokers consumed nearly 508 $\frac{1}{2}$ billion cigarettes--almost 5 $\frac{3}{4}$ billion more than in 1961. The annual increase was considerably less than in each of the previous 7 years. On a per capita basis, cigarette consumption (per person 15 years and over) declined slightly from 1961 to 1962 in contrast to significant increases each year since 1954. Of total output in 1962, filter tip cigarettes comprised about 54 $\frac{1}{2}$ percent and nonfilter tips about 45 $\frac{1}{2}$ percent.

Consumption of cigars in 1963 is expected to at least equal that in 1962, and perhaps may increase some. In 1962, total cigar consumption gained only slightly; cigarillos, accounting for about 14 $\frac{1}{2}$ percent of total sales, rose nearly 5 $\frac{1}{2}$ percent and offset the small decline in the larger, more traditional-size cigars. It does not seem likely that there will be a significant increase in consumption of smoking tobacco in 1963, while both snuff and chewing tobacco may drift further downward.

Exports of unmanufactured tobacco in 1962, at about 530 million pounds (farm-sales weight), were 6 percent less than in 1961. The decline was mainly due to a drop in flue-cured shipments, reflecting in part lower quality of much of the 1962 flue-cured crop. In the year ending June 30, 1963, exports of unmanufactured tobacco seem likely to be about 9 percent less than in 1961-62. Substantial sales of 1955- and 1956-crop flue-cured from Government loan stocks at reduced prices is expected to provide some stimulus to exports in the current fiscal year. The stimulus may not fully offset the decline in exports due to lower-than-usual quality of the 1962 flue-cured crop.

Government price support levels for 1963 crops of eligible tobaccos are 1 percent higher than in 1962. The increase in the overall levels of price support for 1963 tobacco is based on the increase in the 1960-62 average of the parity index from the 1959 level. The parity index is the index of prices paid by farmers, including interest, taxes, and farm wage rates. Revised grade standards for flue-cured tobacco will be placed in effect for the 1963 marketing season; low-quality tobacco will be sharply discounted in applicable price support loan rates and quality tobacco will be supported at a strong price. Two additional varieties of flue-cured tobacco, considered as lacking the flavor and aroma desired by domestic and foreign buyers, will be discounted 50 percent in the support price program. USDA has urged tobacco farmers to consider carefully the effects on quality of certain cultural practices.

In referendums held last February, growers of Connecticut Valley binder, of Ohio cigar filler and Wisconsin binder, and of Maryland tobacco approved marketing quotas on their 1963, 1964, and 1965 crops by heavy majorities of those voting. Growers of the other eligible tobaccos voted 3-year approval in referendums held in 1962 and 1961.

Based on prospective acreages and average yields, with an allowance for trend, the 1963 crops of flue-cured and burley--the 2 large-volume cigarette tobaccos--are expected to be smaller than in 1962. Because of anticipated larger carryovers, however, total 1963-64 supplies of flue-cured may be about 3 percent larger and of burley about 4 percent larger than in 1962-63. The comparatively large 1962 burley crop brought an average price of about $58\frac{3}{4}$ cents per pound--over a tenth below the record 1961 average.

Auction markets of the 1962 Maryland crop opened April 23. Prices for the first 2 days' sales averaged 59.0 cents per pound compared with 63.8 cents for the first 2 days' sales a year ago. The total estimated supply--carryover plus the 1962 crop--is about 8 percent above the preceding year and largest in 5 years. The 1963 acreage is indicated slightly above 1962.

Total 1963-64 supplies of fire-cured tobacco seem likely to be up slightly, while those of dark air-cured may be about the same as for 1962-63. Based on the 1963 intended acreages and average yields, with an allowance for trend, the 1963 crops of cigar filler and Connecticut Valley binder may be a little below 1962, while production of Wisconsin binder may be down moderately; production of cigar wrapper may increase a little over 1962.

Use of Cuban tobacco in cigars is diminishing, but use of other imported cigar tobacco, especially Colombian and Dominican, is increasing. Although domestic use of Connecticut Valley Broadleaf (type 51) in 1961-62 was at a new low, prospects for this type have improved as there is considerable interest in this type for use in cigar filler blends.

ECONOMIC FACTORS AFFECTING AGRICULTURE, 1929, 1941 and 1947-62

Item	Unit or base	1929	1941	1947	1949	1950	1951	1952	1953	1954	1955	1956	1957	1958	1959	1960	1961	1962p
Gross national product, total <u>1</u> /#	Bil. dol.	104.4	125.8	234.3	258.1	284.6	329.0	347.0	365.4	363.1	397.5	419.2	442.8	444.5	482.7	503.4	518.7	553.9
Personal consumption expenditures	Bil. dol.	79.0	81.9	165.4	181.2	195.0	209.8	219.8	232.6	238.0	256.9	269.9	285.2	293.2	313.5	328.5	338.1	356.7
Durable	Bil. dol.	9.2	9.7	20.6	24.2	30.4	29.5	29.1	32.9	32.4	39.6	38.5	40.4	37.3	43.6	44.8	43.7	47.5
Nondurable	Bil. dol.	37.7	43.2	93.4	96.6	99.8	110.1	115.1	118.0	119.3	124.8	131.4	137.7	141.6	147.1	151.8	155.2	162.0
Services	Bil. dol.	32.1	29.0	51.4	60.0	64.9	70.2	75.6	81.8	86.3	92.5	100.0	107.1	114.3	122.8	131.9	139.1	147.1
Gross private domestic investment	Bil. dol.	16.2	18.1	31.5	33.0	50.0	56.3	49.9	50.3	48.9	63.8	67.4	66.1	56.6	72.7	72.4	69.3	76.6
Net export of goods and services	Bil. dol.	.8	1.1	9.0	3.8	.6	2.4	1.3	-4.4	1.0	1.1	2.9	4.9	1.2	- .8	2.9	4.0	3.3
Government purchases of goods and services	Bil. dol.	8.5	24.8	28.4	40.2	39.0	60.5	76.0	82.8	75.3	75.6	79.0	86.5	93.5	97.2	99.7	107.4	117.3
Federal (less Government sales)	Bil. dol.	1.3	16.9	15.6	22.2	19.3	38.8	52.9	58.0	47.5	45.3	45.7	49.7	52.6	53.6	53.2	57.0	62.4
State and local	Bil. dol.	7.2	7.8	12.7	17.9	19.7	21.7	23.2	24.9	27.7	30.3	33.2	36.8	40.8	43.6	46.5	50.4	55.0
Implicit price deflator for GNP	1954=100	57.4	52.9	83.0	88.2	89.5	96.2	98.1	99.0	100.0	101.2	104.6	108.4	110.8	112.6	114.4	115.8	117.4
Industrial production, total <u>2</u> /#	:1957-59=100:	38	56	66	65	75	81	84	91	86	97	100	101	94	106	109	110	118
Total civilian employment <u>3</u> /	Millions	47.6	50.4	57.8	58.4	59.7	60.8	61.0	61.9	60.9	62.9	64.7	65.0	64.0	65.6	66.7	66.8	67.8
Nonagricultural employment	do.	37.2	41.2	49.6	50.4	52.3	53.7	54.2	55.4	54.4	56.2	58.1	58.8	58.1	59.7	61.0	61.3	62.7
Unemployment	do.	1.6	5.6	2.4	3.7	3.4	2.1	1.9	1.9	3.6	2.9	2.8	2.9	4.7	3.8	3.9	4.8	4.0
Income:																		
Nonagricultural payments <u>1</u> / #	Bil. dol.	77.7	88.0	172.8	192.1	211.3	237.0	254.3	271.5	273.8	295.0	317.9	336.1	343.0	368.6	384.7	399.1	423.2
Production-worker payrolls <u>4</u> /	:1957-59=100:	20.0	30.7	60.3	60.0	68.9	80.3	84.5	93.6	85.4	94.8	100.2	101.4	93.5	105.1	106.6	105.2	113.3
Weekly earnings of production workers in manufacturing <u>4</u> /	Dollars	24.76	29.48	49.17	53.88	58.32	63.34	67.16	70.47	70.49	75.70	78.78	81.59	82.71	88.26	89.72	92.34	96.56
Durable	do.	26.84	33.56	51.76	57.25	62.43	68.48	72.63	76.63	76.19	82.19	85.28	88.26	89.27	96.05	97.44	100.10	105.11
Nondurable	do.	22.47	24.39	46.03	50.38	53.48	56.88	59.95	62.57	63.18	66.63	70.09	72.52	74.11	78.61	80.36	82.92	86.15
Agricultural trade: <u>5</u> /																		
Domestic exports	Bil. dol.	1.7	.7	4.0	3.6	2.9	4.0	3.4	2.8	3.1	3.2	4.2	4.5	3.9	4.0	4.8	5.0	5.0
Imports for consumption	Bil. dol.	2.2	1.7	2.8	2.9	4.0	5.2	4.5	4.2	4.0	4.0	4.0	4.0	3.9	4.1	3.8	3.7	3.9
Prices: <u>4</u> /																		
Wholesale prices, all commodities	:1957-59=100:	52	48	81	84	87	97	94	93	93	93	96	99	100	101	101	100	101
Commodities other than farm and food	do.	52	50	75	80	83	92	89	90	90	92	96	99	100	101	101	101	101
Farm products	do.	64	50	109	101	106	124	117	106	104	98	97	99	104	97	97	96	98
Food processed	do.	54	47	91	89	93	103	101	97	98	94	94	99	103	99	100	101	101
Consumer price index	do.	60	51	78	83	84	90	92	93	94	93	95	98	101	102	103	104	105
Food	do.	56	44	81	85	86	95	97	96	95	94	95	98	102	100	101	103	104
Prices received by farmers <u>6</u> /#	:1910-14=100:	148	124	276	250	258	302	288	255	246	232	230	235	250	240	238	240	243
Crops	do.	135	108	163	224	233	265	267	240	242	231	225	225	223	221	221	226	231
Livestock and products	do.	159	138	288	272	280	336	306	268	249	234	226	244	273	256	253	251	254
Prices paid, interest, taxes and wage rates <u>6</u> /#	:1910-14=100:	160	133	240	251	256	282	287	277	276	276	278	286	294	298	299	302	306
Items used in living	do.	154	130	237	243	246	268	271	269	270	270	274	282	287	288	290	291	294
Items used in production	do.	146	130	224	238	246	273	274	256	255	251	250	257	264	266	265	266	269
Parity ratio #		92	93	115	100	101	107	100	92	89	84	83	82	85	81	80	79	80

1/ U. S. Department of Commerce. 2/ Federal Reserve Board. 3/ U. S. Department of Labor, old definitions used 1929-41. 4/ U. S. Department of Labor. 5/ U. S. Department of Agriculture, Foreign Agricultural Service. 6/ U. S. Department of Agriculture, Statistical Reporting Service.

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